

DEPARTMENT OF PERSONNEL ADMINISTRATION

OFFICE OF THE DIRECTOR

1515 "S" STREET, NORTH BUILDING, SUITE 400
SACRAMENTO, CA 95811-7258

March 4, 2009

Mr. Gregory P. Schmidt
Secretary of the Senate
Attn: Paula Rosetto, Journal Clerk
State Capitol, Room 3044
Sacramento, CA 95814

Mr. E. Dotson Wilson
Chief Clerk of the Assembly
Attn: Sue Parker, Journal Clerk
State Capitol, Room 3196
Sacramento, CA 95814

Re: Report to the Legislature on the Economic Sustainability of the Vision Care Program for State Annuitants

Honorable Members of the California Legislature:

The Vision Care Program for State Annuitants was established by AB 2242, Chapter 611, statutes of 2006. The Department of Personnel Administration (DPA) administers the program. Under the enabling legislation, the Director of DPA is required to report to the Legislature, prior to the end of the second quarter of the third plan year, on the continued economic sustainability of the program.

In accordance with Government Code Section 22959.6(g), I am pleased to report that the program is flourishing, is financially sound, and has a viable population as the enrollment base is increasing regularly through open enrollment periods, and as active state employees retire.

PROGRAM OVERVIEW

The Vision Care Program for State Annuitants began on July 1, 2007, to provide state retirees and their eligible dependents with vision care benefits. The program provides the same vision benefits as those provided to active state employees. There are no State general fund monies used to pay for the vision benefits or the operation of the program. Premiums and administrative costs are 100% funded by the annuitants participating in the program.

ECONOMIC SUSTAINABILITY**Enrollment**

At the time of implementation, approximately 110,000 retirees were eligible to enroll in the Vision Care Program. A special open enrollment was conducted at the program's inception which resulted in 30,569 retirees enrolled in the program.

Since that time, the program has experienced extremely positive growth, and as of February 1, 2009, there are 50,911 retirees enrolled. Based on this enrollment number, approximately 46% of eligible state retirees are enrolled in the Vision Care Program. Additionally, with expected future retirements and new enrollments during the program's annual fall open enrollment period, it is anticipated that future positive growth will exceed the current 46% participation level.

Below is a chart which reflects continuous increase in enrollments.

Total Enrollment Numbers	Enrollment Status Periods
30,569	July 2007 (inception of Program)
31,012	September 2007
44,950	September 2008
48,208	Estimated through open enrollment effective January 1, 2009
50,911	February 2009

Eligible retirees may enroll at the time of separation from active employment, or during any open enrollment period.

Costs

Costs of the monthly premiums are based on party code, which is calculated by how many dependents each retiree adds to their vision care plan. The monthly premiums have remained stable since the program's inception and are as follows:

- 1 Party Code – Retiree only - \$8.78
- 2 Party Code – Retiree plus one dependent - \$17.12
- 3 Party Code – Retiree plus two or more dependents - \$18.43

Administrative costs for the program have also remained at a flat rate of 46 cents per participant. These administrative costs are paid as a portion of the premiums.

At this time, there are no factors that would indicate significant changes in the near future to either the costs of administering the program or the premium rates.

The information contained in this report supports the economic sustainability of the Vision Care Program for State Annuitants. Should you have any questions regarding this information, please feel free to contact William Page, Benefits Program Manager, at (916) 445-9801.

Sincerely,

XXX This section has been redacted
XXX

David A. Gilb
Director